

VZCZCXRO3377
PP RUEHCHI RUEHDT RUEHHM
DE RUEHBD #0452 2500820
ZNY CCCCC ZZH
P 070820Z SEP 06
FM AMEMBASSY BANDAR SERI BEGAWAN
TO RUEHC/SECSTATE WASHDC PRIORITY 3511
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHBJ/AMEMBASSY BEIJING 0372
RUEHOT/AMEMBASSY OTTAWA 0117
RUEHLO/AMEMBASSY LONDON 0091
RUCPDO/DEPARTMENT OF COMMERCE WASHDC
RUEKJCS/SECDEF WASHDC
RHHMUNA/CDR USPACOM HONOLULU HI

C O N F I D E N T I A L BANDAR SERI BEGAWAN 000452

SIPDIS

SIPDIS

DOC FOR 4430/ITA/MAC/AP/0PB/GCREECH
STATE FOR EAP/PMBS
SINGAPORE FOR FCS DANIEL THOMPSON

E.O. 12958: DECL: 09/07/2016

TAGS: [EPET](#) [BX](#)

SUBJECT: CHINA FIRM WINNER IN BRUNEI BLOCK L&M PRODUCTION
SHARING DEALS

REF: A. 05 BANDAR SERI BEGAWAN 579
[1](#)B. 05 BANDER SERI BEGAWAN 419
[1](#)C. BANDAR SERI BEGAWAN 99

Classified By: CDA Justin Friedman, reasons 1.4 (b) & (d)

(U) 1. In August 2005, the Brunei National Petroleum Company invited bidders for petroleum exploration on the onshore Seria North Flank Block L and M and the successful bidders were announced in February, 2006. Block L which covers an area of 2,253 square kilometers occupies the whole of Brunei-Muara District and parts of Tutong and Temburong Districts were awarded to the Loon Energy Inc. and QAF Brunei Sdn Bhd. Block M which covers an area of 3,011 square kilometers located in the western part of Brunei covering most of Belait District but excluding the coastal area demarcated around BSP,s onshore concession area was awarded to China Oil USA (Macau) Company Ltd (ChinaOil), Valian International Petroleum Ltd and Jana Corporation Sdn Bhd.

(U) 2. QAF belongs to HRH Prince Abdul Qawi, the son of the Brunei Foreign and Trade Minister I, and HRH Prince Mohamed Bolkiah. Jana Corporation is owned by Pengiran Anak Jaafar, the brother-in-law of His Majesty Sultan Hassanal Bolkiah.

(U) 3. The signing ceremony for the two onshore concessions marks an exciting event for Brunei Darussalam. In his remarks, Energy Minister Pehin Dato Awang noted that these projects will bring additional employment opportunities for the Brunei residents.

COMMENT

4.(C) China Oil appears to be a winner in this round of production sharing contracts. Local contacts tell us that Block M is almost certain to be much more productive than Block L, which is widely considered to be unpromising, and that the Canadian-led consortium had originally bid both blocks but had to settle for only one. The fact that it lost out on the more potentially profitable Block M to the China-UK-Brunei consortium probably has less to do with Brunei's preference in external partners than with internal royal family politics. As noted above, the Sultan's nephew Prince Qawi, the son of Foreign Minister Prince Mohamed, owns QAF, the Canadians' local partner company. Pengiran Jaafar, the Sultan's brother-in-law by his first wife (and twin

brother of Brunei's Ambassador to Washington) owns the local company with which the Chinese and Brits partnered. Informed observers suspect that Jaafar's consortium won the more desirable contract because the Sultan was concerned about keeping his first wife's side of the family happy as a step toward overcoming their resentment at his having taken a second, much younger wife last year. However accurate that may be, it's clear that the Chinese chose their local partner wisely.

FRIEDMAN